The Cost of Living

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Measuring it for Alaska

"*How expensive is it to live in Alaska?*" "*What is the rate of inflation in Alaska?*" These are two of the questions most frequently asked of the Alaska Department of Labor's Research and Analysis section. In answer to these questions, this article provides some of the latest cost-of-living measurements available for Alaska and explains the uses and limitations of these data.

A measure of inflation or cost differentials?

Two types of cost-of-living measurements are available for Alaska. If you are interested in how prices have changed in a particular place, commonly referred to as the inflation rate, you should use the Consumer Price Index (CPI). If you're interested in cost differences between two places, "*Is it more expensive to live in Fairbanks than Seattle?*" then a cost-of-living measurement like the American Chamber of Commerce Researchers Association (ACCRA) index or the Runzheimer International study best suits your needs.

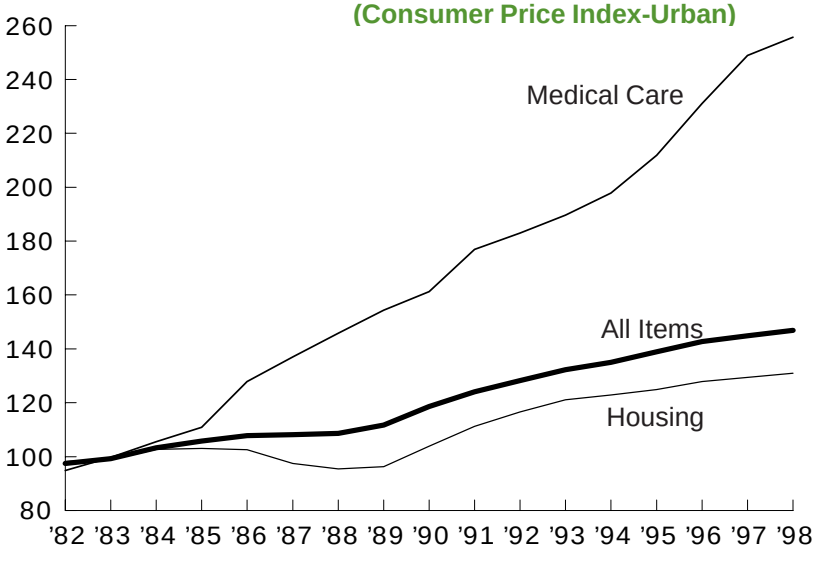
Be aware of the method and the market basket

Since it is too expensive to monitor the price of every item available to purchase, cost-of-living surveys track prices of a sample of items from common expenditure categories (such as housing expenses, medical expenses, food expenses, etc.). This sample of items is called the survey's market basket. Most surveys gear their market baskets toward a "typical" consumer.

When using a cost-of-living survey, it is advisable to know what the survey's market basket contains, and whose buying habits the survey simulates. All surveys give a list of the items in the market basket and define the type of consumer(s) the market basket represents. For example, the Consumer Price Index for All Urban Consumers (CPI-U) is designed to represent 84 percent of the total U.S. population, based on the 1990 Census. The other surveys in this article have a narrower focus.

Medical Costs Outpace Housing In Anchorage—(CPI-U) 1

(Consumer Price Index-Urban)



Source: U.S. Department of Labor, Bureau of Labor Statistics

2 Consumer Price Index
US City Average and Anchorage
Annual Averages 1960 to Present

Year	U.S. City Average	Percent Change from Prev. Yr.	Anchorage Average	Percent Change from Prev. Yr.
1960	29.6		34.0	
1961	29.9	1.0	34.5	1.5
1962	30.2	1.0	34.7	0.6
1963	30.6	1.3	34.8	0.3
1964	31.0	1.3	35.0	0.6
1965	31.5	1.6	35.3	0.9
1966	32.4	2.9	36.3	2.8
1967	33.4	3.1	37.2	2.5
1968	34.8	4.2	38.1	2.4
1969	36.7	5.5	39.6	3.9
1970	38.8	5.7	41.1	3.8
1971	40.5	4.4	42.3	2.9
1972	41.8	3.2	43.4	2.6
1973	44.4	6.2	45.3	4.4
1974	49.3	11.0	50.2	10.8
1975	53.8	9.1	57.1	13.7
1976	56.9	5.8	61.5	7.7
1977	60.6	6.5	65.6	6.7
1978	65.2	7.6	70.2	7.0
1979	72.6	11.3	77.6	10.5
1980	82.4	13.5	85.5	10.2
1981	90.9	10.3	92.4	8.1
1982	96.5	6.2	97.4	5.4
1983	99.6	3.2	99.2	1.8
1984	103.9	4.3	103.3	4.1
1985	107.6	3.6	105.8	2.4
1986	109.6	1.9	107.8	1.9
1987	113.6	3.6	108.2	0.4
1988	118.3	4.1	108.6	0.4
1989	124.0	4.8	111.7	2.9
1990	130.7	5.4	118.6	6.2
1991	136.2	4.2	124.0	4.6
1992	140.3	3.0	128.2	3.4
1993	144.5	3.0	132.2	3.1
1994	148.2	2.6	135.0	2.1
1995	152.4	2.8	138.9	2.9
1996	156.9	3.0	142.7	2.7
1997	160.5	2.3	144.8	1.5
1998	163.0	1.6	146.9	1.5
2nd half '90	132.6	5.8	120.4	7.0
2nd half '91	137.2	3.5	124.7	3.6
2nd half '92	141.4	3.1	129.1	3.5
2nd half '93	145.3	2.8	132.8	2.9
2nd half '94	149.3	2.8	135.8	2.3
2nd half '95	153.3	2.7	139.5	2.7
2nd half '96	157.9	3.0	143.7	3.0
2nd half '97	161.2	2.1	145.4	1.2
2nd half '98	163.7	1.6	147.0	1.1

Sources: U.S. Department of Labor, Bureau of Labor Statistics

The CPI–the nation's inflation measure

The majority of requests for Alaska's cost of living ask about the inflation rate. The Consumer Price Index (CPI) is a national survey designed to answer questions about price changes. CPI information is often used to adjust rents, wages or other monetary payments for the effects of inflation.

To produce the CPI, the U.S. Department of Labor's Bureau of Labor Statistics (BLS) gathers prices in 87 urban areas throughout the country. Because Anchorage is the only city in Alaska surveyed, the Anchorage CPI is the only "Alaska" inflation measure. Unfortunately, it may not reflect price changes in every area of the state. In general, however, Anchorage price trends reflect changes in the cost of living for most Alaskans. If the Anchorage CPI doesn't adequately measure inflation in your area, you can choose a different area to measure inflation. Some users prefer to use Seattle's CPI, for example. But as a matter of practice, most Alaska users prefer to use the Anchorage CPI rather than another area's CPI.

From an official standpoint, the U.S. Department of Labor, BLS, recommends using the national CPI-U (U.S. City Average) to adjust for the effects of inflation. BLS recommends this because the smaller size of the local area samples makes them more prone to measurement errors. When the Anchorage and the U.S. City CPIs since 1960 are compared, inflation has been significantly lower in Anchorage than in the rest of the nation. (See Exhibit 2.) This is predominantly due to the difference in the rate of inflation for housing costs in Anchorage compared to the other areas in the CPI survey.

Housing key to Anchorage inflation rate

Analyzing inflation rates among expenditure categories can help clarify how different parts of the market basket affect the overall CPI. For example, since the early 1980s medical care costs have risen more rapidly than the overall Anchorage CPI, while housing costs have tended to lag behind the overall rate of inflation. (See Exhibit 1.)

While medical care costs have shot up in recent years, overall inflation has not followed. That's because the average consumer spends a much smaller amount on medical care than on housing. When the Consumer Price Index is calculated, each commodity group is given a weight, or measure of its contribution to the overall cost of living. Medical care costs, for example, accounted for 5.7% of the total cost of living in the December 1998 index. Housing costs, on the other hand, accounted for 41.4% of the Anchorage CPI during the same period. (See Exhibit 3.)

The strong influence that housing costs have on the overall Anchorage CPI has been particularly noticeable during the last 10 years. From 1986 to 1988, falling housing costs offset increases in other components of the CPI, resulting in low inflation during these three years. The increase in inflation in Anchorage during the early 1990s was largely due to a tightening housing market. When the housing component jumped from a 0.9% increase in 1989 to a 7.9% increase in 1990, Anchorage inflation followed suit, going from a 2.9% to a 6.2% increase. From 1990 to 1993, a tighter housing market propelled Anchorage's inflation rate above the rest of the nation's. Recently, Anchorage's housing market has cooled off and so has inflation.

The housing component is unique in the CPI, especially in regard to home ownership costs. The CPI uses a method called rental equivalency. This method assumes that a homeowner's shelter costs equal what it would cost them to rent their house on the open market. This method has some shortcomings. In areas where housing prices and/or rents are changing rapidly, the inflation rate for the housing portion of the CPI could be exaggerated for homeowners who have a long-term fixed-rate mortgage. During periods of rapidly declining house prices, homeowners who have fixed mortgages do not experience lower housing costs, and their other costs continue to rise. The overall CPI figures can understate inflation for them. The opposite is true during a period of rapidly increasing house prices and rents. To measure inflation without the housing component, BLS publishes a special index, which excludes housing-related costs–the All Items Less Shelter index. (See Exhibit 4.) There is a much smaller difference in the rate of inflation for Anchorage consumers over the long term when comparing the national All Items Less Shelter index to the Anchorage All Items Less Shelter index, than is indicated by comparing the All Items indexes.

CPI measures inflation–not costs between locations

CPI users should be aware of a common misinterpretation of the CPI index. It occurs when users compare CPI numbers among areas. For example, at 146.9, the annual average Anchorage CPI for 1998 is lower than the United States' average of 163.0. This does not mean that Anchorage has a lower cost of living than the rest of the United States. The CPI measures inflation, not costs. The lower Anchorage CPI means that Anchorage prices have not risen as quickly as prices in the rest of the U.S. since the early 1980s.

Housing is 41% of CPI-U
Anchorage—Components Dec. 1998

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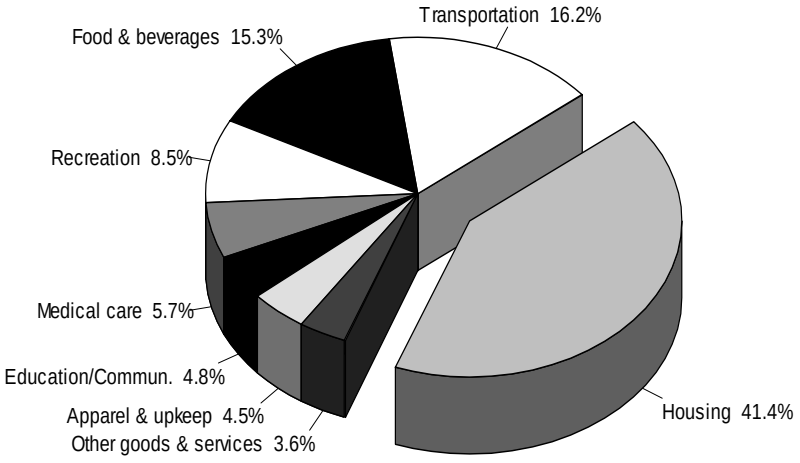


Source: U.S. Department of Labor, Bureau of Labor Statistics

(The base period, when the two indexes equaled 100, is 1982-84.)

Major CPI revision program underway

To maintain the accuracy of the CPI, the index is revised approximately every 10 years. The U.S. Department of Labor, Bureau of Labor Statistics, is currently implementing a multi-year program to update the nation's inflation measure. The latest revision of the U.S. CPI was first published with the release of the January 1998 data. The first published CPI for Anchorage using the revised method was released with the CPI for the first half of 1998. The biggest change in the CPI was the introduction of a new market basket of goods and services. This process updated the market basket using Consumer Expenditure Survey data from 1993-1995. One result was a reweighting of the expenditure categories that comprise the All Items CPI. In that process, some of the component indexes changed significantly. Entertainment, for example, is now called Recreation, and one new major item grouping, Education and Communication, was added.

In addition to the market basket revision, new urban areas replaced 36 of the 87 areas where data are collected. The new geographic distribution of CPI sample areas represents the population distribution in 1990, replacing a sample that represented the population distribution as of the 1980 Census. The change did not impact the Anchorage CPI, since Anchorage and Honolulu are considered statistical outliers because they are

4 Selected Components of CPI-U, Anchorage, and U.S. City Average—1983-1998 annual averages

	ALL ITEMS LESS SHELTER				HOUSING				TRANSPORTATION			
Year	U.S. Avg.	Percent Change from Prev. Yr.	Anch. Avg.	Percent Change from Prev. Yr.	U.S. Avg.	Percent Change from Prev. Yr.	Anch. Avg.	Percent Change from Prev. Yr.	U.S. Avg.	Percent Change from Prev. Yr.	Anch. Avg.	Percent Change from Prev. Yr.
1983	99.8	3.7%	99.9	3.7%	99.5	2.7%	99.0	0.8%	99.3	2.4%	98.5	1.8%
1984	103.9	4.1	103.8	3.9	103.6	4.1	102.7	3.7	103.7	4.4	104.6	6.2
1985	107.0	3.0	107.5	3.6	107.7	4.0	103.0	0.3	106.4	2.6	108.2	3.4
1986	108.0	0.9	111.2	3.4	110.9	3.0	102.6	-0.4	102.3	-3.9	107.8	-0.4
1987	111.6	3.3	115.1	3.5	114.2	3.0	97.5	-5.0	105.4	3.0	111.3	3.2
1988	115.9	3.9	117.8	2.3	118.5	3.8	95.4	-2.2	108.7	3.1	113.0	1.5
1989	121.6	4.9	122.3	3.8	123.0	3.8	96.3	0.9	114.1	5.0	116.7	3.3
1990	128.2	5.4	128.0	4.7	128.5	4.5	103.9	7.9	120.5	5.6	120.7	3.4
1991	133.5	4.1	131.9	3.0	133.6	4.0	111.2	7.0	123.8	2.7	121.7	0.8
1992	137.3	2.8	134.6	2.0	137.5	2.9	116.6	4.9	126.5	2.2	123.3	1.3
1993	141.4	3.0	137.9	2.5	141.2	2.7	121.1	3.9	130.4	3.1	128.8	4.4
1994	144.8	2.4	140.3	1.7	144.8	2.5	122.9	1.5	134.3	3.0	136.9	6.3
1995	148.6	2.6	144.6	3.1	148.5	2.6	124.9	1.6	139.1	3.6	143.8	5.0
1996	152.8	2.8	148.4	2.6	152.8	2.9	127.9	2.4	143.0	2.8	147.2	2.4
1997	155.9	2.0	150.6	1.5	156.8	2.6	129.4	1.2	144.3	0.9	147.0	-0.1
1998	157.2	0.8	152.6	1.3	160.4	2.3	131.0	1.2	141.6	-1.9	144.9	-1.4

1982-1984 = 100

geographically removed from the contiguous United States.

Other changes were implemented as a result of the 1998 CPI revision. Some occurred immediately; others will be phased in over several years. Changes include the introduction of a new sample and item structure for hospital services; a new method of collecting housing data; rebasing the CPI to the 1993-95 period; and numerous technical enhancements related to data collection. Some of these changes took effect with the Anchorage CPI for the first half of 1998; others will be incorporated over time. (For a detailed account of the changes occurring to the CPI, refer to the December 1996 issue of the *Monthly Labor Review*.)

New formula will lower CPI changes

Effective with the CPI data for January 1999, the Bureau of Labor Statistics will adopt a new method of calculating the CPI which will lower the rate of change. The change entails adopting a new formula for calculating weights of a select group of CPI components. A 1996 report from the Advisory Commission to Study the Consumer Price Index pointed out that the old CPI methodology did not account for the substitution behavior of consumers. (Substitution behavior can't be totally explained here, but it relates to the tendency of consumers to substitute one product for another when prices change.) In response, the Bureau of Labor Statistics adopted methods that better account for this behavior. Both the commission and the Bureau of Labor Statistics

Selected Components of CPI-U, Anchorage, and U.S. City Average—1983-1998 annual averages (continued) 4

	FOOD & BEVERAGES				MEDICAL CARE				APPAREL & UPKEEP			
Year	U.S. Avg.	Percent Change from Prev. Yr.	Anch. Avg.	Percent Change from Prev. Yr.	U.S. Avg.	Percent Change from Prev. Yr.	Anch. Avg.	Percent Change from Prev. Yr.	U.S. Avg.	Percent Change from Prev. Yr.	Anch. Avg.	Percent Change from Prev. Yr.
1983	99.5	2.3%	99.7	2.6%	100.6	8.8%	99.7	5.2%	100.2	2.5%	101.6	5.2%
1984	103.2	3.7	103.2	3.5	106.8	6.2	105.5	5.8	102.1	1.9	101.7	0.1
1985	105.6	2.3	106.2	2.9	113.5	6.3	110.9	5.1	105.0	2.8	105.8	4.0
1986	109.1	3.3	110.8	4.3	122.0	7.5	127.8	15.2	105.9	0.9	109.0	3.0
1987	113.5	4.0	113.1	2.1	130.1	6.6	137.0	7.2	110.6	4.4	116.6	7.0
1988	118.2	4.1	113.8	0.6	138.6	6.5	145.8	6.4	115.4	4.3	119.1	2.1
1989	124.9	5.7	117.2	3.0	149.3	7.7	154.4	5.9	118.6	2.8	125.0	5.0
1990	132.1	5.8	123.7	5.5	162.8	9.0	161.2	4.4	124.1	4.6	127.7	2.2
1991	136.8	3.6	127.7	3.2	177.0	8.7	173.5	7.6	128.7	3.7	126.6	-0.9
1992	138.7	1.4	130.3	2.0	190.1	7.4	183.0	5.5	131.9	2.5	130.2	2.8
1993	141.6	2.1	131.2	0.7	201.4	5.9	189.6	3.6	133.7	1.4	131.2	0.7
1994	144.9	2.3	131.9	0.5	211.0	4.8	197.8	4.3	133.4	-0.2	128.9	-1.8
1995	148.9	2.8	138.5	5.0	220.5	4.5	211.6	7.0	132.0	-1.0	130.0	0.9
1996	153.7	3.2	143.4	3.5	228.2	3.5	231.1	9.2	131.7	-0.2	128.7	-1.0
1997	157.7	2.6	145.8	1.7	234.6	2.8	248.9	7.7	132.9	0.9	127.0	-1.3
1998	161.1	2.2	147.3	1.0	242.1	3.2	255.7	2.7	133.0	0.0	125.6	-1.1

Source: U.S. Department of Labor, Bureau of Labor Statistics

5 Cost of Food for a Week
In 21 Alaska communities—12/98
Family of four with elementary school-age children

Community	Cost of Food, One Week	Percent of Anchorage
Anchorage	$98.62	100%
Fairbanks	102.04	103
Juneau	104.54	106
Ketchikan	106.98	108
Kenai-Soldotna	107.57	109
Matanuska-Susitna	111.27	113
Sitka	111.38	113
Valdez	114.25	116
Glennallen	115.62	117
Klawock-Craig	117.40	119
Delta	120.22	122
Haines	126.92	129
Kodiak	127.97	130
Tok	130.22	132
Wrangell	130.67	132
Cordova	145.84	148
Nome	150.25	152
Bethel	152.57	155
Dillingham	168.45	171
Naknek	176.80	179
Galena	189.71	192

Sales tax included in food cost.

Source: Cost of Food at Home for a Week, December 1998, University of Alaska Cooperative Extension Service, U.S. Dept. of Agriculture and SEA Grant Cooperating

estimate this change will reduce the annual rate of change in the CPI by approximately 0.2 percentage points per year. (For a detailed account of the incorporation of a geometric mean into the CPI, refer to the October 1998 issue of the *Monthly Labor Review*.)

Some place-to-place comparisons–each with different results

There are different studies available to compare living costs between places. Due primarily to methodology differences, each survey shows a

6 Cost of Food for a Week
In eight Alaska cities—78-98
Family of four with elementary school-age children

Date	Anchorage	Fairbanks	Percent of Anch.	Juneau	Percent of Anch.
9/78	$76.67	$84.15	110%	$73.72	96%
9/79	82.18	89.39	109	74.88	91
9/80	88.44	90.54	102	85.92	97
9/81	86.69	98.47	114	93.95	108
9/82	77.30	92.09	119	99.98	129
9/83	81.66	83.79	103	88.62	109
9/84	84.22	91.26	108	91.66	109
9/85	89.06	90.08	101	106.61	120
9/86	87.25	90.61	104	87.65	100
9/87	88.90	85.12	96	88.24	99
9/88	90.99	94.74	104	92.95	102
9/89	93.80	94.33	101	96.73	103
9/90	98.73	103.49	105	100.86	102
9/91	102.84	114.65	111	104.21	101
9/92	100.46	92.31	92	102.62	102
9/93	97.89	93.42	95	103.70	106
9/94	91.32	94.96	104	104.09	114
9/95	89.30	93.26	104	99.38	111
9/96	101.43	96.65	95	96.93	96
9/97	96.57	97.73	101	98.89	102
9/98	98.74	98.35	100	103.08	104

Source: Cost of Food at Home for a Week, September 1978 - September 1998, University of Alaska Cooperative Extension Service, U.S. Dept. of Agriculture and SEA Grant Cooperating

different result when comparing living costs between locations.

One cost-of-living measurement is the University of Alaska's Cost of Food at Home study. It measures the cost to feed various size families in different locations in Alaska. The food basket provides a minimum level of nutrition to an individual or family at the lowest possible cost. The report also contains comparative information on some utility and fuel costs. One of its strengths is wide geographic coverage of Alaska over a relatively long period of time. For many years, the Cost of Food at Home study has provided a comparative measure for Alaska locations that no other cost survey covers. Its primary weakness is that it measures only a limited number of food items and some utility costs. Food and utility costs alone can't provide a complete measurement of cost-of-living differences.

Comparing living costs among Alaska communities is complicated by several factors. Some goods and services available in urban areas are not readily available in rural areas. The buying habits of urban residents can vary dramatically from those of rural residents, which can confuse cost-of-living comparisons. The

Cost of Food for a Week 6

In eight Alaska cities—78-98 (continued)

Bethel	Percent of Anch.	Nome	Percent of Anch.	Kodiak	Percent of Anch.	Kenai	Percent of Anch.	Tok	Percent of Anch.
$114.05	149%	$118.85	155%	-	-	$82.48	108%	-	-
129.16	157	128.67	157	-	-	100.41	122	-	-
130.87	148	131.14	148	$99.42	112%	120.84	137	$108.82	123%
138.66	160	150.27	173	-	-	-	-	114.80	132
125.50	162	149.04	193	-	-	-	-	-	-
128.30	157	130.14	159	104.94	129	86.98	107	-	-
136.54	162	142.07	169	115.97	138	87.97	104	121.66	144
138.13	155	152.41	171	108.17	121	91.47	103	116.19	130
137.96	158	142.04	163	105.49	121	92.78	106	124.18	142
140.81	158	147.96	166	104.39	117	96.95	109	117.51	132
137.57	151	147.69	162	116.68	128	95.53	105	119.69	132
140.65	150	-	-	124.61	133	104.20	111	139.43	149
146.92	149	155.48	157	154.55	157	103.21	105	131.03	133
152.49	148	150.29	146	127.96	124	111.88	109	143.45	139
142.51	142	158.08	157	124.61	124	109.60	109	132.94	132
147.84	151	145.94	149	125.19	128	111.61	114	136.96	140
133.47	146	140.22	154	123.99	136	105.51	116	140.78	154
140.68	158	148.55	166	123.04	138	102.48	115	122.89	138
148.70	147	162.61	160	125.71	124	105.01	104	142.46	140
150.42	156	-	-	123.92	128	104.87	109	-	-
155.24	157	174.27	176	130.04	132	104.13	105	144.67	147

- Data unavailable. September 1979 data for Kenai not available; December 1979 data substituted.

Cost of Food survey assumes that all foods are purchased in the local community. In rural Alaska, food is commonly acquired through subsistence means or from merchants outside of the community. These factors play a significant role in an area's cost of living.

Food costs are higher in rural Alaska

Exhibit 5 shows weekly food costs in 21 communities for a family of four with elementary school-aged children. The December 1998 figures show that Anchorage had the lowest food costs of the areas surveyed, followed by Fairbanks, Juneau, Ketchikan, and Kenai-Soldotna. The survey has consistently shown that larger cities in Alaska have food costs fairly comparable to those in Anchorage.

Overall, food costs tend to have three tiers in Alaska. The largest urban areas have the lowest food costs. Smaller communities on a major distribution system like a road or the Alaska Marine Highway tend to have slightly higher costs than the urban areas. The highest food costs are found in isolated communities supplied primarily by air. In places such as Bethel, Dillingham and Naknek, food costs are 50 to 75 percent higher than in Anchorage. Although the Cost of Food at Home survey does not extensively survey remote villages, they tend to have even higher costs than the regional centers that are serviced only by air.

7 20 Highest Cost Urban Areas
ACCRA Cost of Living Index 3rd Qtr 1998

City	All Items Index	Grocery Items	Housing	Utilities	Transpor-tation	Health Care	Misc. Goods & Services
New York, NY	231.3	143.9	460.5	176.6	119.3	184.3	133.5
Kodiak, AK	**144.8**	**147.1**	**146.0**	**161.5**	**127.4**	**160.4**	**141.6**
Nassau Co., NY	142.3	122.5	171.3	165.1	122.9	161.2	124.9
Salinas-Monterey, CA	136.0	115.9	198.7	98.9	123.1	137.9	105.1
Juneau, AK	**134.4**	**131.7**	**138.5**	**154.5**	**122.8**	**168.0**	**125.8**
Boston, MA	131.9	113.1	175.2	122.9	119.6	138.7	109.1
San Diego, CA	127.8	115.5	168.8	103.4	125.2	121.1	106.8
Fairbanks, AK	**124.4**	**116.3**	**135.7**	**142.1**	**120.2**	**162.5**	**109.8**
Washington, DC	123.8	109.2	151.2	94.3	128.9	120.4	113.7
Anchorage, AK	**122.9**	**125.7**	**132.7**	**90.8**	**111.5**	**165.0**	**118.2**
Philadelphia, PA	121.2	108.6	141.7	154.0	115.0	99.1	107.1
Chapel Hill, NC	120.4	106.6	162.0	98.1	97.0	108.2	106.1
New Haven, CT	120.3	108.0	137.8	167.2	103.6	131.9	103.5
Boulder, CO	119.3	114.9	158.6	84.6	112.3	113.3	99.5
Los Alamos, NM	119.1	103.3	165.6	86.9	109.5	112.4	99.0
Sacramento, CA	117.8	119.8	119.5	114.5	119.4	147.1	111.3
Burlington/Chittendon Co., VT	115.2	106.3	129.7	131.8	102.8	117.7	106.6
Reno-Sparks, NV	114.6	108.9	126.5	93.6	112.8	125.4	111.3
Detroit, MI	114.0	105.3	138.0	104.3	106.7	116.8	102.1
Glenwood Springs, CO	113.2	104.7	133.0	94.9	119.3	109.9	103.5

Source: American Chamber of Commerce Researchers Association, Urban Area Index Data, third quarter 1998. (334 urban areas surveyed).

The urban/rural cost differential in the Cost of Food at Home study presents an interesting contrast between Alaska and other areas of the United States. Other surveys show that in the Lower 48, large urban areas tend to have higher living costs, including food costs, than less populated areas. The opposite is true in Alaska. The cost of food and other basics such as fuel is higher in rural Alaska communities than in the state's urban centers.

Another interesting point about this survey is that the multi-tiered structure of food costs in Alaska has not changed much since the late 1970s. Exhibit 6 shows the difference in the cost of food between Anchorage and other Alaska

Cost of Living–Selected Cities 8

ACCRA Index 3rd Qtr 1998

	All Items Index	Grocery Items	Housing	Utilities	Transpor-tation	Health Care	Misc. Goods & Services
West							
Anchorage, AK	122.9	125.7	132.7	90.8	111.5	165.0	118.2
Fairbanks, AK	124.4	116.3	135.7	142.1	120.2	162.5	109.8
Juneau, AK	134.4	131.7	138.5	154.5	122.8	168.0	125.8
Kodiak, AK	144.8	147.1	146.0	161.5	127.4	160.4	141.6
Las Vegas, NV	105.2	115.5	105.0	84.5	107.4	115.5	103.2
Portland, OR	111.7	106.5	125.6	84.0	113.2	121.8	107.3
San Diego, CA	127.8	115.5	168.8	103.4	125.2	121.1	106.8
Southwest/Mountain							
Boise, ID	103.4	100.5	113.0	74.1	102.9	113.0	102.4
Dallas, TX	98.6	95.3	96.4	96.7	105.6	102.7	99.8
Denver, CO	108.1	106.7	123.7	84.6	112.3	113.3	99.5
Phoenix, AZ	102.3	105.2	99.2	105.5	113.2	111.2	98.1
Salt Lake City, UT	107.9	110.1	118.0	79.5	113.0	104.6	104.1
Midwest							
Milwaukee, WI	106.8	102.8	122.8	92.0	106.2	102.6	99.7
Oklahoma City, OK	92.0	93.4	79.0	93.9	98.8	89.7	100.3
St. Louis, MO	98.1	102.0	98.0	97.7	97.3	109.4	94.9
Southeast							
Birmingham, AL	95.8	93.3	94.0	96.6	94.5	98.3	98.4
Nashville, TN	106.4	101.0	108.1	108.8	117.6	111.9	103.0
Orlando, FL	99.5	101.1	95.7	103.8	97.6	107.0	100.3
Raleigh, NC	101.8	98.0	109.5	101.8	95.2	99.8	99.5
Atlantic/New England							
Baltimore, MD	96.0	97.4	95.5	107.8	102.9	94.3	91.2
Philadelphia, PA	121.2	108.6	141.7	154.0	115.0	99.1	107.1
Washington, DC	123.8	109.2	151.2	94.3	128.9	120.4	113.7

Source: American Chamber of Commerce Researchers Association, Urban Area Index Data, third quarter 1998. (334 urban areas surveyed).

9 Average Price Selected Goods & Services

Selected U.S. Cities–3rd Qtr 1998

	1 lb. Ground Beef	Milk Whole 1/2 gal.	Eggs 1 doz. Grade A Lg.	Coffee 13 oz. Canned	2 BR Apt. Rent Unfurn. No utils.	House Purchase Price	Total Monthly Energy Cost	1 gal. Gas	Hospital Rm./day Semi-Private	Doctor Office Visit	McDonald's Quarter Pounder W/cheese	Men's Levis 501/505
West												
Anchorage, AK	**$1.79**	**$2.22**	**$1.29**	**$3.68**	**$771**	**$183,028**	**$94**	**$1.16**	**$748**	**$80**	**$2.69**	**$35.59**
Fairbanks, AK	**1.30**	**1.99**	**1.40**	**3.76**	**762**	**187,000**	**152**	**1.25**	**565**	**81**	**2.69**	**31.59**
Juneau, AK	**1.69**	**2.04**	**1.56**	**3.94**	**950**	**182,000**	**168**	**1.39**	**425**	**76**	**2.70**	**31.62**
Kodiak, AK	**1.74**	**2.34**	**1.54**	**4.02**	**850**	**187,500**	**171**	**1.50**	**600**	**68**	**2.89**	**43.47**
Las Vegas, NV	1.49	1.66	1.39	3.73	727	142,050	89	1.10	351	63	1.99	33.24
Portland, OR	1.49	1.66	1.06	3.49	683	178,300	81	1.20	519	54	2.01	39.99
San Diego, CA	1.71	1.98	2.05	3.59	900	240,818	107	1.27	675	52	2.12	38.99
Southwest/Mountain												
Boise, ID	1.17	1.25	0.80	3.41	701	153,564	69	1.17	497	55	2.09	30.39
Dallas, TX	1.25	1.38	0.98	2.90	792	122,107	100	1.01	480	50	2.08	31.42
Denver, CO	1.12	2.08	0.98	3.66	765	171,281	82	1.11	519	66	2.12	38.99
Phoenix, AZ	1.40	1.71	0.85	3.57	673	132,318	108	1.10	551	53	2.10	33.39
Salt Lake City, UT	1.65	1.64	0.77	3.82	653	166,400	76	1.18	393	55	2.09	36.24
Midwest												
Milwaukee, WI	1.45	1.53	0.73	3.01	694	170,230	95	1.13	418	56	1.99	33.19
Oklahoma City, OK	1.29	1.44	0.78	3.05	526	106,000	93	0.99	290	41	1.78	35.19
St. Louis, MO	1.47	1.72	0.86	3.19	655	132,283	98	1.03	473	60	1.93	30.97
Southeast												
Birmingham, AL	1.04	1.71	0.75	2.44	563	131,500	94	1.01	467	52	2.01	31.39
Nashville, TN	1.26	1.42	0.80	2.82	610	127,033	90	1.03	276	53	1.95	33.99
Orlando, FL	1.39	1.64	0.92	2.71	600	133,200	104	1.05	486	53	1.79	30.29
Raleigh, NC	1.48	1.80	0.92	2.49	742	149,369	105	0.99	337	54	1.98	32.99
Atlantic/New England												
Baltimore, MD	1.41	1.43	0.77	3.40	507	136,448	108	1.08	539	45	1.00	30.79
Philadelphia, PA	1.84	1.39	1.14	3.39	727	196,749	166	1.08	452	48	2.14	33.50
Washington, DC	1.41	1.51	1.02	3.27	1,083	204,193	93	1.13	509	64	1.99	35.90
ALL CITIES MEAN[1]	1.38	1.54	0.90	3.09	586	138,988	101	1.06	405	51	2.01	33.75

[1] All cities mean is the arithmetic mean price of all 334 cities in the third quarter 1998 survey.

Source: American Chamber of Commerce Researchers Association Cost of Living Index, Average Price Data, third quarter 1998. (334 urban areas surveyed.)

communities. It also shows the changes in costs over time within several communities in the study.

ACCRA places Alaska cities among most expensive

The American Chamber of Commerce Researchers Association (ACCRA) provides another cost-of-living measure. The ACCRA cost-of-living study compares costs for roughly 300 cities in the United States, including several in Alaska. The ACCRA study is intended to replicate the consumption patterns of a mid-management executive's household.

In the ACCRA study, a standardized list of 59 items is priced during a fixed period of time. The average price data for each urban area are then converted into an index number for each expenditure category. Because of the limited number of items priced, percentage differences between areas should not be treated as exact measures. Small differences should not be construed as significant, or even as a correct indication of which area is the more expensive. Aside from the limited number of items priced, the ACCRA index also does not take state and local taxes into account. This is due in part to the difficulty of reliably measuring an area's tax burden.

Four Alaska cities were included in the third quarter 1998 ACCRA study–Anchorage, Fairbanks, Juneau, and Kodiak. The third quarter 1998 ACCRA data show that the Alaska cities are among the 10 highest cost areas surveyed. (See Exhibit 7.) Anchorage had the lowest index of the Alaska cities in the ACCRA study; however, the difference between Anchorage and Fairbanks was relatively small. According to the index, Anchorage and Fairbanks have a cost of living roughly 25% higher than the all-cities average. Juneau was about 35% higher and Kodiak was nearly 45% higher than the all-cities average.

The four Alaska cities in the ACCRA study were among the highest-cost cities surveyed for several of the six major components of the ACCRA index. All four cities were in the top 10 in at least half of the categories, and Kodiak was in the top 10 in all six component indexes.

ACCRA points to a smaller difference in housing costs

Housing costs have always been thought of as exceptionally high in Alaska. Although they are high, the ACCRA housing index shows that some areas in the nation, particularly large urban areas, have comparable or much higher housing costs. Generally, the lowest rankings for Alaska's cities were in the ACCRA transportation index. The Anchorage utilities index was lower than two-thirds of the cities in the ACCRA study.

Comparative figures for Alaska cities and other cities around the nation are presented in Exhibits 8 and 9. Exhibit 8 shows the ACCRA cost-of-living indexes while Exhibit 9 contains prices for some of the goods and services in the ACCRA study.

The ACCRA cost-of-living study is designed for spending patterns found in major American urban centers. The data collected in the pricing survey attempt to match the items found in urban areas. This process tends to ignore spending patterns found in atypical areas. For example, the transportation costs in the ACCRA study include items such as bus fare, the price of a gallon of gasoline, and automobile wheel balancing. This method is problematic for Alaska communities because air transportation is a more common, and generally more expensive, mode of travel.

Runzheimer study shows smaller cost-of-living differential

A different approach to calculating living cost differences between cities is taken in the Runzheimer Living Cost Standards survey. Runzheimer International, a private research firm contracted by the Alaska Department of Labor's (AKDOL) Workers' Compensation Division, looked at the comparative income necessary to maintain a certain standard of living in different areas of the country as of December

1998. Runzheimer's approach takes into account certain elements left out of the ACCRA cost-of-living measure, such as an area's tax rates.

In the AKDOL Runzheimer study, a "base" family was created–two parents and two children. They own their home, a recently purchased 1,500 square foot single-family home with three bedrooms and 1.5 baths. They drive one automobile, a 1995 Ford Contour GL, approximately 16,000 miles annually. This family has an income of $32,000 in Standard City, a fictitious city that has costs close to the median of all the cities in the survey. The standard of living attainable in Standard City was then priced in each of the surveyed areas.

The AKDOL Runzheimer survey shows that Anchorage and Fairbanks have a slightly higher cost of living than the other areas surveyed, while Juneau's cost-of-living index was about 15 percent higher. The cost of living in these three Alaska locations ranges from 2.8% to 15.4% above Standard City. (See Exhibit 10.) For comparison purposes, many of the cities appearing in the ACCRA data in Exhibits 8 and 9 are included in the Runzheimer data in Exhibit 10.

Lower taxes contribute to lower living costs

The component indexes of the Alaska cities in the Runzheimer study range from 5 to 45 percent above the average cost of living except the taxation component. The Runzheimer study indicates that the portion of income that goes to taxes in Alaska is about 12 to 14 percent below the average in Standard City. This is the main reason the Runzheimer index does not show Anchorage's, Fairbanks' and Juneau's living costs as high as the cost of purchasing goods and services would indicate. Another factor to remember is that Runzheimer does not take into account the Alaska Permanent Fund Dividend. If every member of the fictitious Runzheimer family received an Alaska Permanent Fund check, more than $6,000 would have been added to the household's pre-tax income in 1998. This amounts to a significant boost in the overall income in this fictional Alaska household.

Construction costs follow other surveys somewhat

In early 1999, the Alaska Department of Labor's Research and Analysis Section conducted the seventh annual survey of the cost of a market basket of construction materials. The survey, commissioned by the Alaska Housing Finance Corporation (AHFC), measures the cost of acquiring building materials necessary to construct a single-family residence at various locations in Alaska. The construction materials priced represent approximately 30 percent of the total dollar value of a materials list for constructing a model single-family residence.

The costs of construction materials at 10 Alaska locations were measured, with the results showing some of the same patterns evident in other surveys. (See Exhibit 11.) Like the other surveys, rural locations tended to have the highest costs. One notable difference with this survey is that Sitka and Juneau had the lowest construction materials costs. No other survey showed Juneau among the lowest costs for any items priced.

Summary: No single answer to cost-of-living question

When looking at cost-of-living information, first decide what type of comparison needs to be made. Are you interested in how prices have changed over time, or how costs differ between places? The answer narrows the field of appropriate cost-of-living surveys.

Next, decide on the suitability of different surveys. Some surveys look at subsets of the total cost-of-living package, such as the Cost of Food at Home survey or the AHFC construction cost survey. Some surveys might look at a population unlike the one being studied. The ACCRA survey's mid-

Runzheimer International Living Cost Standards

Annual Costs as of December 1998

10

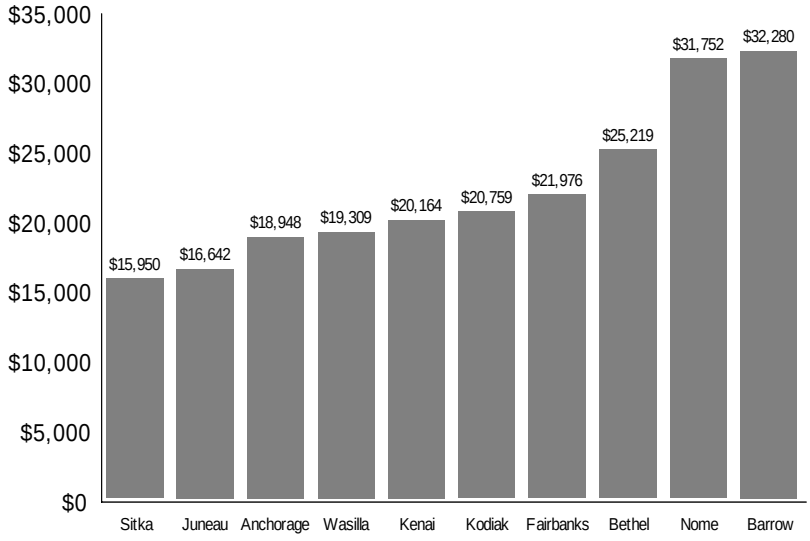
	Total Costs	Percent of Standard City	Taxation	Percent of Standard City	Trans-portation	Percent of Standard City	Housing	Percent of Standard City	Misc. Goods & Services, Other	Percent of Std. City
West										
Alaska composite	$34,267	107.1%	$5,602	88.1%	$4,211	107.5%	$12,783	118.6%	$11,671	106.6%
Anchorage, AK	32,976	103.1	5,739	90.3	4,321	110.3	11,464	106.4	11,452	104.6
Fairbanks, AK	32,897	102.8	5,593	88.0	4,227	107.9	11,271	104.6	11,806	107.8
Juneau, AK	36,930	115.4	5,473	86.1	4,086	104.3	15,617	145.0	11,754	107.3
Las Vegas, NV	31,384	98.1	5,721	90.0	4,652	118.7	10,409	96.6	10,602	96.8
Portland, OR	34,289	107.2	6,064	95.4	3,821	97.5	12,977	120.4	11,427	104.4
San Diego, CA	37,488	117.2	5,753	90.5	4,345	110.9	15,943	148.0	11,447	104.5
Seattle, WA	35,737	111.7	6,079	95.6	4,239	108.2	14,150	131.3	11,269	102.9
Southwest/Mountain										
Boise, ID	31,310	97.8	5,894	92.7	3,806	97.1	11,136	103.4	10,474	95.7
Dallas, TX	29,116	91.0	6,154	96.8	4,261	108.8	8,090	75.1	10,611	96.9
Denver, CO	32,388	101.2	5,034	79.2	4,351	111.1	12,148	112.8	10,855	99.1
Phoenix, AZ	31,464	98.3	5,794	91.1	4,421	112.8	10,520	97.6	10,729	98.0
Salt Lake City, UT	33,685	105.3	5,786	91.0	4,081	104.2	13,028	120.9	10,790	98.5
Midwest										
Milwaukee, WI	33,975	106.2	7,531	118.4	3,798	96.9	12,078	112.1	10,568	96.5
Oklahoma City, OK	28,760	89.9	6,308	99.2	3,850	98.3	8,382	77.8	10,220	93.3
St. Louis, MO	32,762	102.4	6,742	106.0	3,948	100.8	11,552	107.2	10,520	96.1
Southeast										
Birmingham, AL	32,519	101.6	6,256	98.4	3,756	95.9	11,799	109.5	10,708	97.8
Nashville, TN	29,367	91.8	5,491	86.4	3,502	89.4	9,610	89.2	10,764	98.3
Orlando, FL	28,897	90.3	5,600	88.1	3,930	100.3	8,651	80.3	10,716	97.9
Raleigh, NC	31,164	97.4	6,780	106.6	3,791	96.8	10,276	95.4	10,317	94.2
Atlantic/New England										
Baltimore, MD	33,518	104.7	6,408	100.8	4,033	102.9	11,953	110.9	11,124	101.6
Philadelphia, PA	36,474	114.0	8,304	130.6	4,565	116.5	12,086	112.2	11,519	105.2
Washington, DC	35,262	110.2	6,511	102.4	4,029	102.8	13,406	124.4	11,316	103.3
STANDARD CITY, USA	32,000	--	6,358	--	3,918	--	10,774	--	10,950	--

Source: Runzheimer Living Cost Index, December, 1998

11 Construction Materials Costly

In rural Alaska

Cost of selected residential construction materials–1998



Sources: Alaska Housing Market Indicators, Fall 1997; Alaska Housing Finance Corporation; Alaska Department of Labor, Research and Analysis Section

management family does not reflect the cost of living for poverty income families.

In Alaska, particularly in smaller communities, survey choices are few. Only the Cost of Food at Home and the construction costs survey conducted for the AHFC include much more than the three largest Alaska cities. These surveys have their limitations in the scope or appropriateness of the goods priced. For this reason, users might be forced to use an index that only approximates cost-of-living differences.

Given their limitations, most cost-of-living indexes involve a compromise answer. Still, the indexes in this article provide baseline information to help answer these questions. When used with care, the information can help you compare how far your dollar will go.

Alaska Cost-of-Living Information on the World Wide Web

If you need cost-of-living comparisons, particularly if you're contemplating a move to Alaska, there are a number of resources available on the World Wide Web. Here are some sites that have cost-of-living information as well as a wealth of other information about Alaska.

http://www.labor.state.ak.us/research/relocate/relocmap.htm

The Alaska Department of Labor's relocation site offers cost-of-living information, general information about Alaska, information on employment opportunities and information about traveling to Alaska.

http://www.careerindex.com/library/sidebyside.html

The Homefair City Reports gives you a side-by-side comparison of two cities' cost of living, climate, demographics and other vital information from a database that is kept current with quarterly updates. Homefair City Reports offers one complimentary report with up to two destinations.

http://www.datamasters.com/cgi-bin/col.pl

DataMasters Inc., like Homefair City Reports, allows you to compare the level of income needed to maintain the purchasing power you currently have. Not surprisingly, results from the Homefair Reports and DataMasters sites can differ, suggesting that multiple sources and a thorough investigation are your best allies when researching cost-of-living information.

http://city.net/countries/united_states/alaska/#relocation_information

Excite Travel's Alaska web site is a rich source of Alaska information. Relocation data are available as well as a variety of other information including links to Alaska city home pages, weather information, businesses, arts and leisure activities.